



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: August 1, 2001 REPORT NO. 01-164

ATTENTION: Honorable Mayor and City Council
Docket of August 6, 2001

SUBJECT: Fiscal Year 2002 Proposed San Diego Data Processing Corporation
Budget

SUMMARY:

Issue - Should the City Council approve the \$81,938,324 Fiscal Year 2002 Proposed San Diego Data Processing Corporation (SDDPC) Budget?

Manager's Recommendation - Approve the \$81,938,324 Fiscal Year 2002 Proposed SDDPC Budget.

Other Recommendations - None.

Fiscal Impact - The City of San Diego's Proposed Fiscal Year 2002 Budget includes \$500,000 in revenue from SDDPC in anticipation of revenues exceeding expenditures in that amount.

BACKGROUND

During the development of City agency budgets, City Manager staff works with City agencies in an effort to insure that the budget requests are in conformance with various City policies. The review of the Fiscal Year 2002 SDDPC Proposed Budget was conducted by City staff with regard to proposed increases over Fiscal Year 2001 budgeted levels. This budget represents the anticipated level of funding for SDDPC operations in Fiscal Year 2002 and reflects the request for information technology services by the City of San Diego. Actual services are billed directly to City departments based on negotiated costs. Under terms of the City's Operating Agreement with SDDPC, the Corporation may incur expenses in excess of its approved budget dependent upon available revenues.

DISCUSSION

Revenue

The \$81,938,324 Fiscal Year 2002 proposed budget represents a 0.87% decrease from the Fiscal Year 2001 budget.

The following table exhibits a comparative breakdown of revenue by customer category:

| Customer | FY 2001 Budgeted Revenue (Final) | FY 2001 Revenue (Estimated Actual) | FY 2002 Budgeted Revenue (Proposed) |
|--------------------------------|---|---|--|
| City of San Diego | | | |
| General Fund | \$26,837,193 | \$26,627,097 | \$26,863,461 |
| Non-General Fund | \$50,761,038 | \$50,329,831 | \$50,776,305 |
| City/County Joint Programs* | N/A | N/A | \$2,807,560 |
| Non-City Customer | \$5,058,987 | \$4,805,061 | \$1,490,998** |
| TOTAL | \$82,657,218 | \$81,761,989 | \$81,938,324 |

*City/County Joint Programs reflects revenues budgeted for the administration of the Automated Regional Justice Information System (ARJIS). ARJIS is the computer network that integrates over 10,000 law-enforcement users Countywide and acts as a single database for crime-related information and data. (In previous years, ARJIS revenues were budgeted as "Non-City Customer" revenue).

**This figure includes \$110,000 interest.

In addition, the following table exhibits a breakdown of Fiscal Year 2002 proposed revenue:

| Description | Fiscal Year 2001 Budgeted Revenue | Fiscal Year 2001 Estimated Actual | Fiscal Year 2002 Proposed Revenue |
|--------------------------|--|--|--|
| Labor | \$33,988,029 | \$27,747,244 | \$35,064,582 |
| Computer Usage | \$6,146,137 | \$6,260,038 | \$5,719,149 |
| Network Access | \$10,538,449 | \$10,294,859 | \$10,792,309 |
| Equipment Maintenance | \$985,507 | \$511,301 | \$531,913 |
| Telecommunications | \$4,965,544 | \$5,698,710 | \$5,266,805 |
| Purchasing Services | \$25,801,552 | \$31,168,287 | \$24,453,566 |
| Interest/Other Income | \$232,000 | \$81,550 | \$110,000 |
| Total Revenues | \$82,657,218 | \$81,761,989 | \$81,938,324 |

The line item referencing Fiscal Year 2002 Proposed Labor revenues reflects information technology services requested of SDDPC including application development, enhancement, maintenance, and project management. Approximately 97% of these revenues are derived from services requested by individual City of San Diego General Fund and Non-General Fund departments and City/County joint programs.

The line item referencing Fiscal Year 2002 Proposed Purchasing Services revenues reflects requests of SDDPC for computer related equipment and software in addition to any administrative costs associated with completing these requests. Approximately 99% of these revenues are derived from services requested by individual City of San Diego General Fund and Non-General Fund departments and City/County joint programs.

Expense

Salaries and Benefits

The \$32,921,178 Fiscal Year 2002 proposed budget for salaries and benefits represents a 3.56% increase from the Fiscal Year 2001 budget. Included in this increase is a 4% (2.8% effective) merit and salary incentive adjustment. Relative to the Fiscal Year 2001 budget, the total

budgeted staffing adjustment is a reduction of 7.00 positions.

Non-Personnel Expenses

The \$49,017,146 Fiscal Year 2002 proposed budget for non-personnel expenses represents a \$1,851,815 or 3.64% decrease from the Fiscal Year 2001 budget. This decrease is mainly due to a decrease in expenditures for Professional Services and Purchase/Service Contracts. The decrease in Professional Services can be attributed to a decrease in SDDPC's need for outside consulting services. The decrease in Purchase/Service Contracts reflects a reduction in the amount of computer related equipment and software being requested through SDDPC.

The following table exhibits the breakdown of Non-Personnel Expenses:

| Non-Personnel Expense Breakdown | | | |
|--|--------------------------------|----------------------------------|--------------------------|
| Expense Category | Fiscal Year 2001 Budget | Fiscal Year 2002 Proposed | Increase/Decrease |
| Equipment and Software | \$5,184,184 | \$5,305,070 | \$120,886 |
| Facility Expense | \$1,964,525 | \$2,241,658 | \$277,133 |
| Professional Services | \$5,729,683 | \$4,722,225 | (\$1,007,458) |
| Voice and Data Network | \$4,711,152 | \$4,905,344 | \$194,192 |
| Supplies | \$435,152 | \$359,036 | (\$76,116) |
| Other Expenses including Training and Travel | \$1,686,187 | \$1,623,220 | (\$62,967) |
| New Debt* | \$0 | (\$4,250,000) | (\$4,250,000) |
| Net Debt Payments | \$645,185 | \$541,000 | (\$104,185) |
| Capital Expenditures | \$5,027,000 | \$9,890,000 | \$4,863,000 |
| Return of Budgetary Surplus | \$500,000 | \$500,000 | \$0 |
| Other Balance Sheet Accts | \$485,335 | \$360,629 | (\$124,706) |
| Purchase/Service Contracts | \$24,500,558 | \$22,818,964 | (\$1,681,594) |
| Total | \$50,868,961 | \$49,017,146 | (\$1,851,815) |

*New Debt issued to support capital expenditures.

Capital Expenditures

The \$9,890,000 Fiscal Year 2002 capital expenditures proposed budget represents a 96.7% increase from Fiscal Year 2001. This increase includes \$4.25 million of new debt issued for the first year of a two-year project to completely update the City network (SANNET). Computer equipment, software, and voice network upgrades have also been included as part of the proposed Fiscal Year 2002 capital expenditures.

CONCLUSION

The \$81,938,324 Fiscal Year 2002 Proposed San Diego Data Processing Corporation Budget is submitted for your review.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Patricia T. Frazier
Deputy City Manager

PTF/am